

result of the curious political arrangement of the seventeenth century, by which the Islands were made a dependency of the Spanish establishment in Mexico. Through the gateway of the Philippines in part, Mexican dollars found their way throughout the Orient, so that until the adoption of the gold standard in Japan in 1897, the Islands enjoyed a common currency with China, Japan, and the English and French dependencies in the East. At the time of the revision of the bank charter in 1897, the Spanish Government coined for use in the Philippines new silver pesos bearing Spanish inscriptions and of considerably lighter weight than the Mexican coins, but the two circulated practically side by side at par and the Mexican coins remained the standard,¹ At the time of the American occupation of the Islands in 1898, and especially after the restoration of civil government in July, 1901, currency and banking conditions were much confused, owing to the fact that the silver had declined to about one-half its nominal value in gold at the old **coinage** ratio and that much American money had been introduced into Manila and other centres of population by American troops and officials. For a time, and down to the campaign of the Western powers to rescue their legations at Peking, in 1900, the American Government was able to maintain approximately a ratio of value of two Mexican dollars (or pesos) for one American dollar. This ratio broke down to a large extent, because the presence of the allied armies caused such a demand for currency in China that the value **of** Mexican dollars rose. In less than three months, in the autumn of 1900, more than 3,000,000 pesos were exported from the Philippines, and the city of Manila and other commercial places were almost denuded of currency.® The American Government sought to check the outflow by pro-

¹ These local coins were of the weight of a Spanish piece of five pesetas, but of the fineness of 0.835. For a more minute account of changes in coinage policy under Spanish rule, see *Report of the Philippine Commission*, January 31, 1900, Sen. Doc. 138, \$6th Cong., 1st session, I., 142-48.

- Ddtieux, *La Question Monetaire en Indo-Chine*, 261.